

### Claims

We Claim:

1. A method for determining an effectiveness of a hedge on a hedged item, said method comprising the steps of:

determining a standard deviation of changes in value of said hedged item over a known time frame;

determining a standard deviation of a combination of said changes in value of said hedged item and changes in value of a hedging vehicle over said known time frame; and,

determining a ratio between said standard deviation of changes in value of said hedged item and said standard deviation of changes in value of said hedged item and changes in value of said hedging vehicle.

2. The method as recited in claim 1, said method further comprising the step of:

determining a volatility measure as a complement of said ratio.

3. The method as recited in claim 1 wherein said known time period is selected from the group of monthly, quarterly, yearly.

4. The method as recited in claim 1 wherein effectiveness is determined when said ratio is below a known level.

5. The method as recited in claim 2 wherein effectiveness is determined when said measure is above a known level.

6. The method as recited in claim 4 wherein said known level based upon conventional financial considerations.

7. The method as recited in claim 5 wherein said known level based upon conventional financial considerations.

8. A system for determining an effectiveness of a hedge on a hedged item, said system comprising:

a processor in communication with a memory;

said processor operable to execute:

code for determining a standard deviation of changes in value of said hedged item over a known time frame;

code for determining a standard deviation of a combination of said changes in value of said hedged item and changes in value of a hedging vehicle over said known time frame; and,

code for determining a ratio between said standard deviation of changes in value of said hedged item and said standard deviation of changes in value of said hedged item and changes in value of said hedging vehicle.

9. The system as recited in claim 8, wherein said processor is further operable to execute:

code for determining a volatility measure as a complement of said ratio.

10. The system as recited in claim 8 wherein said known time period is selected from the group of monthly, quarterly, yearly.

11. The system as recited in claim 8 wherein effectiveness is determined when said ratio is below a known level.

12. The system as recited in claim 9 wherein effectiveness is determined when said measure is above a known level.

13. The system as recited in claim 11 wherein said known level based upon conventional financial considerations.

14. The system as recited in claim 12 wherein said known level based upon conventional financial considerations.

15. The system as recited in claim 8 further comprising:  
means for inputting said change in value data;

16. The system as recited in claim 15 wherein said means for inputting is selected from the group of keyboard entry, magnetic medium, optical medium, electronic transfer over a network.

17. The system as recited as in claim 11 further comprising:  
means for inputting said known level.

18. The system as recited in claim 17 wherein said means for inputting is selected from the group of keyboard entry, magnetic medium, optical medium, electronic transfer over a network.

19. The system as recited as in claim 12 further comprising:  
means for inputting said known level.

20. The system as recited in claim 19 wherein said means for inputting is selected from the group of keyboard entry, magnetic medium, optical medium, electronic transfer over a network.

21. The system as recited in claim 15 wherein said processor is in communication with said input means.

22. The system as recited in claim 15 wherein said input means is in communication with said memory.

23. The system as recited in claim 8 further comprising:  
means for displaying said ratio.

24. The system as recited in claim 9 further comprising:  
means for displaying said measure.

25. The system as recited in claim 11 further comprising:  
means for displaying said effectiveness.

26. The system as recited in claim 12 further comprising:  
means for displaying said effectiveness.